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SEP 25 1992  
INTERSTATE COMMERCE COMMISSION  
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MOTOR OPERATING UNIT

SLOVER & LOFTUS

ATTORNEYS AT LAW

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September 24, 1992

2-269A011

Recordations Unit  
Room 2303  
Interstate Commerce Commission  
12th Street & Constitution Ave., N.W.  
Washington, DC 20423

Re: Valdosta Railway, L.P.

Dear Ms. Lee:

Enclosed for recordation in the captioned file are an original and one copy of the "Subordination Agreement" of the Valdosta Southern Railroad Company ("VSRC"), whereby the VSRC's lien on the rolling stock and other property of the Valdosta Railway, L.P. ("VRLP"), as set forth in the "Mortgage, Assignment of Rents and Security Agreement" from VRLP to VSRP dated December 31, 1991 (which is also recorded in the captioned file), is subordinated to certain new security interests running in favor of other lenders, all as more fully set forth therein.

Also enclosed is a check for \$15.00 to cover the filing fee for this recordation.

Thank you for your attention to this matter.

Sincerely,

*Donald G. Avery*  
Donald G. Avery

Encl.

cc: Dow Huskey, Esq.  
Kathy Wellman, Esq.

*Counterparts - returned*

SEP 25 1992-10 10 AM

INTERSTATE COMMERCE COMMISSION

17945-A

Deed to Secure Debt,  
Assignment of Rents and  
Security Agreement dated  
December 31, 1991 from  
Valdosta Railway, L.P. to  
Valdosta Southern Railroad  
Company recorded in Deed  
Book 863, Page 57, Lowndes  
County, Georgia records

STATE OF GEORGIA

COUNTY OF LOWNDES

SUBORDINATION AGREEMENT  
(Priority of Title or Lien)

THIS SUBORDINATION AGREEMENT is executed by VALDOSTA SOUTHERN RAILROAD COMPANY ("Junior Lender") as of this 30th day of June, 1992.

W I T N E S S E T H:

WHEREAS, Junior Lender made a loan to Valdosta Railway, L.P. (the "Operator") in the original principal amount of \$1,638,000.00 (the "Railroad Loan");

WHEREAS, the Railroad Loan is secured by certain documents (collectively, the "Railroad Loan Documents"), including, but not limited to, the following:

1. Deed to Secure Debt, Assignment of Rents and Security Agreement dated December 31, 1991 from Operator to Junior Lender recorded in Deed Book 863, page 57, Lowndes County, Georgia records (the "Railroad Security Deed"); and

2. U.C.C. Financing Statements between Operator, as Debtor, and Junior Lender, as Secured Party, filed on February 6, 1992 as Financing Statement No. 92-305 in Lowndes County, Georgia and on February 6, 1992 as Financing Statement No. 92-306 in Lowndes County, Georgia (the "Railroad U.C.C. Financing Statements").

WHEREAS, the Railroad Loan Documents are and shall be and remain subordinate to a security interest granted to a "Primary Lender" (as defined in the Railroad Security Deed); and

WHEREAS, Operator and Operator's affiliate, Rail Partners, L.P. (the "Borrower") desire to obtain new loans from The Prudential Insurance Company of America ("Prudential") in the

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original principal sum of \$25,000,000.00 and from First Alabama Bank - Dothan ("FAB"; collectively, FAB and Prudential are referred to as the "Senior Lender") in the maximum principal amount of \$15,000,000.00 (collectively, the "New Loan") and desires to deliver to FAB as Collateral Agent for Senior Lender as security for the New Loan certain documents (collectively, the "New Loan Documents"), including, but not limited to, the following:

1. A Deed to Secure Debt and Security Agreement (the "Senior Security Deed") conveying to FAB as Collateral Agent for the Senior Lender the property (the "Property") described on Exhibit A attached hereto and made a part hereof; and

2. U.C.C. Financing Statements between Operator, as Debtor, and Senior Lender, as Secured Party.

WHEREAS, the Junior Lender and Marinette, Tomahawk and Western Railroad Company have agreed in those certain Subordination Agreements of even date with Prudential and FAB, respectively (collectively, the "Master Subordination") to subordinate their respective debts to those owed to Prudential and FAB, respectively, but only to the extent set forth in the Master Subordination, which provides that such subordination shall be effective only as to such portion of the New Loan which is equal to the principal (in an aggregate amount not to exceed \$14,000,000) of and premium, if any, and interest on all liabilities of any or all of the Operator, Borrower and their affiliates to Prudential and FAB, together with such other amounts as are more particularly defined as the "Senior Debt" in said Master Subordination (herein referred to as the "Senior Debt"; any amount of the New Loan in excess of the Senior Debt shall be referred to herein as the "Third Priority Amount"); and

WHEREAS, Junior Lender desires, for the consideration hereinafter set forth, to subordinate the security title and lien of the Railroad Loan Documents to that of the Senior Security Deed, as to the Senior Debt only, and not as to the Third Priority Amount.

NOW, THEREFORE, IN CONSIDERATION of the sum of Ten (\$10.00) Dollars in hand paid by Senior Lender and Operator to the undersigned and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Junior Lender agrees as follows:

1. Junior Lender subordinates, upon the terms and conditions contained herein, all of its right, title and

interest under the Railroad Loan Documents in and to the Property as against that portion of the New Loan which constitutes the Senior Debt and not as to any of the Third Priority Amount, so that the Senior Security Deed shall convey security title to the Property superior to the security title, interest and lien of the Railroad Loan Documents, but only as to the Senior Debt and not as to any of the Third Priority Amount, as if the Senior Security Deed (to the extent it secures the Senior Debt) had been executed, delivered and recorded prior to the execution, delivery and recording of the Railroad Loan Documents. Without limiting the foregoing, Junior Lender acknowledges and agrees that foreclosure under the Railroad Loan Documents shall not terminate the Senior Security Deed, except only to the extent that the Senior Security Deed secures the Third Priority Amount. Accordingly, until the Termination Date (as defined in the Master Subordination), the proceeds of any repossession, setoff, foreclosure or other judicial sale or any other disposition of the collateral secured by the Railroad Loan Documents or the New Loan Documents shall be applied first to all amounts owing to the Senior Lender with respect to the Senior Debt, second to all amounts owing to the Junior Lender with respect to the amounts owing under the Railroad Loan Documents and third to Senior Lender with respect to the Third Priority Amount.

2. Junior Lender warrants that Junior Lender is the owner and holder of the Railroad Loan Documents and that there is no assignment to any party of any of Junior Lender's rights under the Railroad Loan Documents.

3. Except for the partial subordination herein contained in favor of Senior Lender, nothing contained herein shall in anywise impair, alter or diminish the effect, security title, security interest or encumbrance of the Railroad Loan Documents on the Property or any of the rights and remedies of Junior Lender granted therein. This Agreement is entered into to provide record notice of the partial subordination set forth in the Master Subordination, and to the extent of any conflict between the terms hereof and the Master Subordination, the Master Subordination shall govern.

4. This Agreement shall be binding upon Junior Lender and its successors and assigns and shall inure to the benefit of Senior Lender and its successors and assigns.

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IN WITNESS WHEREOF, Junior Lender has executed this Subordination Agreement under seal the day and year first above written.

Signed, sealed and delivered  
in the presence of:

Witness

Notary Public

My commission expires:

OFFICIAL SEAL  
ARTEMIS G VOUGIS  
NOTARY PUBLIC STATE OF ILLINOIS  
MY COMMISSION EXP. JUNE 29, 1996

JUNIOR LENDER:

VALDOSTA SOUTHERN RAILROAD  
COMPANY

By:

Name: R. E. FUQUA

Title: VICE PRESIDENT

(CORPORATE SEAL)

Georgia, Lowndes County 10:15am  
Filed July 8 1992 M. Recorded July 9 1992  
Deed Book 903 Page 311 Sarah Crow